



UNIVERSAL UNDERWRITERS GROUP

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MEMBER COMPANIES

UNIVERSAL UNDERWRITERS INSURANCE COMPANY
UNIVERSAL UNDERWRITERS SERVICE CORPORATION
UNIVERSAL UNDERWRITERS ACCEPTANCE CORPORATION
UNIVERSAL UNDERWRITERS INSURANCE SERVICES OF TEXAS, INC.

UNIVERSAL UNDERWRITERS LIFE INSURANCE COMPANY
UNIVERSAL UNDERWRITERS OF TEXAS INSURANCE COMPANY
UNIVERSAL UNDERWRITERS INSURANCE SERVICES, INC.
UNIVERSAL UNDERWRITERS INSURANCE SERVICES OF ALABAMA, INC.

June 14, 2006

David Cassetty
Enforcement Attorney/Insurance Division
Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3101

Re: Market Conduct Examination Report of
Universal Underwriters Life Insurance Company

Dear Mr. Cassetty:

Universal Underwriters Life Insurance Company has reviewed the examination report and desires to offer the following comments on this report. This letter containing the comments is being sent in triplicate along with an electronic copy. Our comments are presented in the order in which they appear in the examination report.

I. CLAIMS PROCEDURES AND PROCESSING

Results of Credit Life Claims Review

We have already changed our procedures for calculating credit life insurance benefits and we do not object to the recalculation of other claims. The change in calculation coincided with the discovery of the calculation error. The recalculation will occur on claims paid during the 5 years preceding March 1, 2004, the approximate date of our change in procedures. However, subsequent to the time our payment calculations were reviewed we were informed that during the review of another insurer, it was agreed that the payment of 6% interest did not apply to credit life insurance. Therefore, we believe that the calculation of benefits that should have been made should not include this interest component.

We continue to disagree that 3665(d) applies to all claims where payment is not made within 30 days of proof of loss. This section states: "In the event judgment is entered for a beneficiary or a settlement agreement is executed, interest shall accrue from thirty days after the beneficiary filed proof of loss. The interest rate imposed on the insurer shall be the judgment rate allowed by law."

It is clear that this section states that the judgment rate is only imposed in two situations: (1) when a judgment is entered for a beneficiary, or (2) when a settlement agreement is executed. The statute does not state that it applies when any settlement is made. If the latter was the legislative intent they would have drafted to state the same and then your position that the word "settlement" is used throughout the Code to include any payment, may have some justification. However, the language specifically states that it must be a "settlement agreement".

Denied Claims

We would like to first comment on the statement that our canceling of certificates beyond 75 day is contrary to the language in our Approval of Risk provision. We disagree with this assessment that this is our practice.

It is our company's practice that if the information contained on the home office copy of the certificate or in claim records we may have on the individual indicates that the person is ineligible or uninsurable, we make a termination decision and refund the entire premium within the 75 days. (There were four situations as noted in Section II where the 75 days had elapsed so coverage could not be rejected or amended and there was one situation where a rejection occurred more than 75 days after the effective date.). Our personnel have been advised of the importance of making timely decisions. One error does not constitute a company practice.

It is partly in this vein that we disagree with the report implying that insurers only have 75 days to detect material misrepresentations. If this were the case, applications would be meaningless. Insurers must be able to rely on the representations made by insureds in their applications. Without this reliance there is a significant incentive for individuals to be less than honest on their applications. Furthermore, we do not believe a 75 day standard for detecting misrepresentations is appropriate for the following reasons:

1. Our policy forms clearly indicate that there is a 2 year contestable period during which time we can contest the coverage.
2. Our policy forms containing the contestable clause have repeatedly been approved under Regulation 84-1. There have been no objections to this provision.
3. Sections 6 and 7 of 84-1 specifically permit evidence of insurability, while section 5 recognizes the ability of insurers to offer nonstandard coverage.
4. Our loss experience and therefore the premium rates charged consumers have always been based on our policy forms permitting us to contest a contract's validity for 2 years.
5. Even if the report's interpretation is determined to be accurate, the ability to retroactively adjust claims would be virtually impossible.
6. We believe that other insurers offering credit insurance also contain similar contestable clauses and to our knowledge do not believe the other insurers are or have been subject to this standard or interpretation.

Notwithstanding our position on this issue, we believe that the risk selection process is one area that can always be improved upon. With credit insurance the primary area where risk selection occurs is at the dealership level. We believe that most dealerships' employees are honest, hard-working individuals who would not knowingly enroll uninsurable individuals nor would they deceive consumer about the insurance.

There may, however, be situations where consumers, in the midst of signing a number of documents, are not aware of the significance of the credit insurance application. While consumers are responsible for reading what they sign, we agree to implement increased training in this area so that the application and its importance are specifically pointed out to consumers before they sign the application.

We are also agreeable to providing a separate disclosure notice that would be given to a consumer before they sign the application. This yet to be developed disclosure would among other things describe the purpose of the application, the impact it could have on a claim, what to do if there are questions or concerns and what to do if they later realize they made a misrepresentation. This should reduce the number of occurrences where the misrepresentation is detected at claim time and reduce the incidents where the consumer does not know if a previous medical condition is material to the risk selection process.

II. CANCELLED/REJECTED/AMENDED CERTIFICATES

Violation of 8V.S.A. § 4224 (19)

We agree that one error was made. While this is not a frequent occurrence, we have informed our employees to exercise greater care when reviewing certificates.

III. SALES AND MARKETING

Failure to Supervise Credit Insurance Operations

We believe that we are now in compliance with the requirement that we developed a formal audit plan that is designed to detect a nonconforming practices and includes required remediation of any of such practices. For the current year, all of our accounts are currently under review.

Dealership Account 44X00206

The reporting, rating and refund problems with this account have been corrected. Recently, because this dealership writes credit insurance only on a sporadic basis, we terminated our agreement with this account.

Failure to Establish Trust Accounts

When this was noted during the examination we notified all of our accounts of the requirement with similar notice sent to all of our employees responsible for servicing our dealers. Verification that trusts have been established is being incorporated into our dealership audits.

IV. RATES AND RELATED ISSUES – CERTIFICATE REVIEW

Credit Life Premium Errors

We agree to develop a plan approved by the Department to audit all certificates issued during the audit period for overcharges and to make refunds with interest.

Credit Disability Premium Errors

We agree to develop a plan approved by the Department to audit all certificates issued during the audit period for overcharges and to make refunds with interest.

Failure to Amend Certificates for Premium Overcharges

We have implemented a procedure to notify insured's of premium decreases.

Handwritten Changes

We have implemented procedures to notify insureds of all changes including handwritten changes.

Failure to Verify Amount of Credit Life Insurance

While we agree there was a problem, we believe most problems have been corrected through greater care on our part to determine the reason for discrepancies between coverage and premiums rather than just assuming premium errors. We have also worked with programming companies to correctly reflect the initial coverage used by our company.

We do not believe that obtaining a copy of the installment sales contract is a workable solution as it appears that we may not have the legal ability to obtain this non-public information. Even if this obstacle could be overcome it would add significantly to our administrative costs and those of the dealership and would significantly lengthen business processing times.

Error in the Single Premium Life Factor Formula in the Dealer Guide
This change has already been made.

Credit Life and Disability Insurance Terminations

Refund of Premiums

Of the remaining refund discrepancies regarding refunds where we have not previously notified the Division of refunds being made, we offer the following comments:

Certificate number 2478639 – a premium refund was sent to the insured on 3/16/04 for \$7.13.

Certificates numbered 10091699 and 2083094 - refunds are currently being sent with interest to the insureds.

Please advise if you would like proof of these payments.

With regard to those premium refund checks that were not given to the Division from the 200 termination samples, we wish to let you know that all but 24 refund checks have been obtained. These refund checks are available upon request.

As is apparent from the difficulty in obtaining copies of refund checks even when the dealership made prompt refunds, we believe that it would be extremely difficult if not impossible in some cases to obtain copies of refund checks. This would be especially true in situations where the dealership has changed ownership or gone out of business.

We are confident that our current audit practices will detect dealers that have failed to make premium refunds. On a prospective basis, our procedure to notify the consumer when there has been a premium overcharge will eliminate part of the problem. Additionally, in all cases when we receive a cancellation notice from a dealership, we will be sending a separate notice to the customer acknowledging the cancellation and the alerting them that they should have received a refund.

Use of Unapproved Refund Formula

We will make this filing.

Subsequent Actions

We will make these refunds with interest.

V. PRODUCER LICENSING

We are prepared to attempt to license any individual required to obtain a license. However, prior to beginning this process we request that we receive specific written guidance that are applicable to all insurers and producers, including but not be limited to, the availability of a group policyholder exemption and the availability of a limited lines license.

Regardless of the current status of dealership employees that are making our credit insurance products available, we always have taken the position that it is our responsibility to make sure that they are performing their duties in accordance with the laws and regulations of Vermont and in accordance with our company's procedures.

Our company is willing to fully and promptly cooperate with the Division to correct the noted deficiencies.

In conclusion, we wish to express our appreciation for the professionalism and the courtesy that all of the examination team has shown our staff during this examination.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Scott McMillin". The signature is fluid and cursive, with a large initial "D" and "M".

D. Scott McMillin
Vice President – Governmental Affairs
Universal Underwriters Life Insurance Company